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E.O. 12958: DECL: 05/31/2017
TAGS: [EAIR](#) [ECON](#) [PREL](#) [RS](#)
SUBJECT: BOEING RUSSIA: CHILLING THE BUBBLY FOR THE "BIG"
DEAL?

Classified By: Econ MC Quanrud for reasons 1.4 B and D.

¶1. (C) Boeing Russia and Economics Minister Gref confirmed to us that preparations are underway for three contracts to be signed on June 9 on the margins of the St. Petersburg Economic Forum. The contracts include the \$4 billion sale of 22 787 Dreamliners to Aeroflot, an "enhanced role" for Boeing in the development and after-sales support of the Sukhoi SuperJet100, and a general partnership agreement between Boeing and the United Aircraft Corporation (UAC). While we hope this is as solid as it appears, we also know the contracts have not been finalized. If the Aeroflot deal goes through, Russia will be the single largest destination for the new 787 Dreamliner with a total of 37 sold (including 15 sold to S7 Airlines May 29).

¶2. (C) The Dreamliner sale to Aeroflot has been dubbed "the longest sale in Boeing history." The process began in August 2005, when Aeroflot announced its intention to modernize its wide-body fleet with either 22 787s or 22 Airbus A350s. While the obvious commercial choice has always been the 787 for its earlier delivery dates and better fuel economy, the decision has been a pawn in a larger chess game of Russia-EU and Russia-U.S. relations. A year into the process, the Kremlin tied the sale to proposed cooperation with Russia's aircraft-manufacturing conglomerate UAC. Over the last six months, UAC has slowly been moving towards the view that both aircraft giants could bring different strengths to the table. This appears to be triggering a GOR decision to purchase 22 aircraft from each company. Minister Gref told Ambassador and visiting CODEL Lott May 30 that the St. Petersburg Economic Forum would feature a Boeing signing ceremony. He added that Boeing had played its cards right and that he appreciated Boeing's commitment and positive attitude towards Russia, even in the midst of GOR "emotional outbursts" against foreign aircraft companies. Gref said Boeing's presence in Russia was "more robust" than that of Airbus and that ongoing cooperation with UAC on the SuperJet100 and the SuperSonic Business Jet was welcome.

¶3. (C) Comment: This has been a good week for Boeing in Russia. The news of the Aeroflot deal comes on the heels of a May 29th announcement of the sale of 15 Dreamliners (worth approximately \$2.4 billion) with an option to purchase 10 more to S7 Airlines (formerly known as Sibir). If the Aeroflot deal goes through, Russia will be the single largest destination for the new 787 Dreamliner, with 37 sold to date. (Even U.S. carriers have yet to purchase that quantity.)

Should it come to fruition in ten days, the back-story is extra sweet since the Dreamliner and Russia are a nice fit. Much of the plane's advanced features were designed at Boeing's Moscow Design Center and most of the cutting-edge titanium components will be machined by VSMPO-Avisma. End comment.

BURNS